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RUCPDOG/DEPT OF COMMERCE WASHDC
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UNCLAS SECTION 01 OF 03 KINGSTON 000336

SIPDIS

STATE FOR WHA/CAR (BENT) AND WHA/PDA
STATE ALSO FOR INL/LP (BOZZOLO), EB/TPP, AND EB/IFD
STATE ALSO DOE CA/OCS/ACS/WHA (RUTH BRANSON)
STATE PASS OPIC FOR TABERNAKI
CUSTOMS MIAMI FOR LOWEN AND MAHABIR
SANTO DOMINGO FOR FCS, FAS, AND LEGATT
STATE PASS USTR FOR A. GASH-DURKIN
DOJ FOR OPDAT/R LIPMAN
TREASURY FOR LAMONICA

SIPDIS

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SUBJECT: KINGSTON POL/ECON ROUNDUP: FEBRUARY 4, 2006 -
FEBRUARY 17, 2006

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11. This week's topics:

-- New Governor General
-- Economic Prospects Favorable
-- First Supplementary Estimates to Be Tabled
-- Tourism Back In Earnest
-- Jamaica's Hunt for Oil
-- Sugar Industry Developments
-- Jamaica-Cuba: Light Bulbs and Cement
-- International Arrest
-- Crime Rates Down

New Governor General

12. On February 15, Kenneth Hall, former Pro-Vice Chancellor and Principal of the University of the West Indies Mona, was sworn in as the fifth Governor General of Jamaica. Hall was a history professor in the 1980s at the State University of New York at Oswego. He replaces Sir Howard Cooke, who served as Governor General for almost 15 years. The Ambassador represented the US at the installation ceremony and the reception following the ceremony.

Economic Prospects Favorable

13. Minister of Finance and Planning, Dr. Omar Davies, and Bank of Jamaica Governor, Derick Latibeaudiere, expressed optimism in connection with the country's economy in the first quarter of the calendar year. Speaking at a February 14 lunch with the Canada-Jamaica Business Council, Davies stated that he expected inflation to remain at a low level - the figure for December 2005 was 0.1 percent - and remarked that "single-digit inflation for 2006" was likely.

Latibeaudiere, speaking at the Bank's quarterly press briefing, added that he believed that as inflation subsides, the foreign exchange market will stabilize. He further noted that increased investment in public infrastructure in the run-up to the 2007 Cricket World Cup would spur growth in 2006.

First Supplementary Estimates To Be Tabled

¶4. Fin Min Davies also announced that the first supplementary estimates for the 2005/06 fiscal year, that are traditionally tabled in December, will be tabled on March 7, only three weeks before the end of the Jamaican fiscal year. The announcement was prompted by constant criticisms from the opposition Jamaica Labor Party (JLP). The JLP attributed the delay to the campaign for the leadership of the governing People's National Party (PNP) in which Davies is a candidate. The first estimate is expected to reflect the steep deterioration in the fiscal deficit due to a reduction in revenues relative to program. Davies assured investors that regardless of the outcome of the PNP leadership race, the stability and policy consistency of the last several years will continue.

Tourism Back In Earnest

¶5. Despite the passage of two hurricanes and the subsequent slump in tourist arrivals, the tourism sector still managed to grow 4.5 percent in 2005; its third consecutive year of growth. The performance also marked another year of record tourist arrivals, with stopover arrivals reaching just under 1.5 million. The record performance was largely attributable to the strong recovery during the latter part

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of the year, due to increased marketing and a diversion of visitors from hurricane ravaged Mexico. The buoyancy continued into 2006, with arrivals for the month of January jumping by 11 percent, making it one of the best performances on record.

Jamaica's Hunt for Oil

¶6. For the fifth time in 36 years, Jamaica will be embarking on a search for oil and gas. However, unlike previous outings, the entire cost associated with the exploration will be borne by Finder Exploration Limited (Finder), the company licensed to undertake the prospecting. The last time (1980-1983) Jamaica was involved in oil and gas exploration it cost the GOJ a whopping USD 18 million (JMD 1.2 billion). Exploration activities will be conducted under a product sharing arrangement whereby Finder would pay a 12.5 percent royalty to the GOJ in cash or kind and would split any oil or gas produced with the Petroleum Corporation of Jamaica. Preliminary information from the current search will be available in just over six months.

Sugar Industry Developments

¶7. The Jamaica Country Strategy for the Sugar Industry over the period 2006-2015 has been submitted to the European Union (EU). In response to the EU's proposed elimination of special preferences, Jamaica proposes restructuring (perhaps by increased mechanization), diversification, and development programs that will enable inefficient producers to move out of the market, while training their employees for other industries. Full details of the strategy are not yet publicly available, but Prime Minister Patterson has

been clear that the industry will not be abandoned, as some commentators have recommended. It is hoped that the EU will provide much of the funding to transition the industry.

Jamaica-Cuba: Light Bulbs and Cement

¶18. The Cuban Government has given residents of East Kingston and Portmore some 30,000 energy-saving light bulbs in an effort to bring down Jamaica's high energy bill. Commerce, Science and Technology Minister Phillip Paulwell, on February 14, said that the donations were part of a pilot energy conservation project aimed at reducing the country's USD 1.2 billion oil bill. Meanwhile, Carib Cement - the monopoly producer in Jamaica - has been forced to turn to Cuba to help meet a shortfall of 40,000 metric tons to satisfy local demand.

International Arrest

¶19. On February 15, Dwight Perry was arrested in Kingston without incident. Perry is wanted in the Eastern District of Virginia for Conspiracy and Distribution of over 1,000 kgs of marijuana based on a December 2005 complaint. Perry is scheduled to appear in Magistrates Court on Thursday, February 16. Perry will remain in custody pending extradition proceedings and his return to the United States.

Crime Rates Down

¶10. As of February 15, Jamaica's homicide rate stood at 154, compared to 198 for the same time period in 2005. The JCF reported a decline of 12% for overall crime.

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JOHNSON